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Brazil

LIVESTOCK AND PRODUCTS ANNUAL

Annual Livestock Report

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Report Highlights:

Post forecasts beef production and exports to rebound in 2010 at an average rate of 4 and 10 percent, respectively. The beef sector is currently facing challenges due to a restructuring of Brazil's cattle sector and lower export volume. Pork production is forecast to continue to improve in 2010 after a good performance this year. Domestic demand is likely to remain steady as Brazilian GDP is expected to rebound to 4 percent in 2010.

Executive Summary:

The outlook for the Brazilian economy in 2010 calls for a rebound in economic growth to about 4 percent, with lower inflation and a continued increase in consumer purchasing power. Brazilian meat exporters are also optimistic about growth of the world economy in 2010 and expect Brazilian exports of beef and pork to increase in their major markets. Post forecasts beef and pork production to increase at an average of 4 percent in 2010, supported by strong export growth and firm domestic demand for animal proteins.

Post revised production and export estimates for Brazilian beef and pork for 2009 to reflect new estimates made by trade sources. These estimates reflect the current mood among Brazilian exporters as they continue to face uncertainty in the world market due to the credit crunch. Beef production will likely drop for the second consecutive year due to a continued shortage of cattle and reduced exports, although domestic demand is supporting any further drop in production. The financial constraints faced by several beef packers in Brazil remain critical, although most analysts indicate some improvement after the bailout of the sector by the National Bank of Economic and Social Development (BNDES). Review of the pork outlook for 2009 reflects new data obtained from trade sources and reveals higher pork exports and domestic demand as pork prices are competitive with beef prices.

Commodities:

Animal Numbers, Cattle

Production:

After several years of intense cow slaughter, which prompted an increase of over 35 percent in cattle prices during 2008, as compared to 2007, the Brazilian beef industry is still facing lower availability of finished cattle for slaughter. And, the situation was aggravated by the lack of payment by some packers which filed a bankruptcy procedure to stall payment to producers. However, this situation is beginning to change and Post expects an increase of nearly 3 percent in the cattle slaughter in 2010 and cattle inventories are expected to reach nearly 191 million by the end of 2010.

Trade:

The outlook for cattle exports remains strong and post forecasts that exports will likely increase by 20 percent in 2010. Venezuela remains the main destination for Brazilian cattle, followed by Lebanon. The state of Para in the Amazon region is the main source of live cattle for exports. Brazilian beef packers and exporters continue to criticize exports of live cattle principally during the current period of lower availability of cattle for slaughter. The hides and skins industry also supports beef exporters' complaints about live cattle exports.

Production, Supply and Demand Data Statistics:

	2008	2009	2010
Animal Numbers, Cattle	2008	2009	2010
Brazil	Market Year Begin: Jan 2008	Market Year Begin: Jan 2009	Market Year Begin: Jan 2010

	USDA Official Data	Old Post Data	USDA Official Data	Old Post Data	USDA Official Data	Jan Data
Total Cattle Beg. Stks	175,437	175,437	179,551	179,778	185,243	(1000 HEAD)
Dairy Cows Beg. Stocks	35,090	35,090	35,403	35,960	37,050	(1000 HEAD)
Beef Cows Beg. Stocks	49,122	49,122	49,550	50,340	51,870	(1000 HEAD)
Production (Calf Crop)	49,298	49,298	49,563	49,563	50,937	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	(1000 HEAD)
Other Imports	70	70	75	35	40	(1000 HEAD)
Total Imports	70	70	75	35	40	(1000 HEAD)
Total Supply	224,805	224,805	229,189	229,376	236,220	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	(1000 HEAD)
Other Exports	414	414	435	515	620	(1000 HEAD)
Total Exports	414	414	435	515	620	(1000 HEAD)
Cow Slaughter	13,325	13,025	12,316	12,304	12,160	(1000 HEAD)
Calf Slaughter	400	400	350	350	300	(1000 HEAD)
Other Slaughter	26,875	27,023	27,234	26,812	28,110	(1000 HEAD)
Total Slaughter	40,600	40,448	39,900	39,466	40,570	(1000 HEAD)
Loss	4,240	4,165	4,300	4,152	3,800	(1000 HEAD)
Ending Inventories	179,551	179,778	184,554	185,243	191,230	(1000 HEAD)
Total Distribution	224,805	224,805	229,189	229,376	236,220	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0	0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	(1000 HEAD)
Balance	0	0	0	0	0	(1000 HEAD)
Inventory Balance	4,114	4,341	5,003	5,465	5,987	(1000 HEAD)
Inventory Change	1	1	2	2	3	(PERCENT)
Cow Change	1	1	1	0	0	(PERCENT)
Production Change	1	1	1	1	3	(PERCENT)
Production to Cows	59	59	58	57	57	(PERCENT)
Trade Balance	344	344	360	480	580	(1000 HEAD)
Slaughter to Inventory	23	23	22	22	22	(PERCENT)
TS=TD		0		0	0	
Comments						
AGR Number						
Comments To Post						

Commodities:
Meat, Beef and Veal

Production:

Post forecasts beef production to increase by 4 percent in 2010 due to the following factors: a) increased exports; b) higher availability of cattle for slaughter; and c) continued domestic demand for beef as the Brazilian economy is expected to rebound in 2010 with an estimated economic growth of 4 percent.

Post revised downward its 2009 beef production estimate by one percent over last year. A big factor in the drop is the significant reduction of beef exports estimated for this year, combined with the shortage of finished cattle for slaughter. However, increased domestic consumption helped the sector from a further decline in production, as consumer purchasing power remained constant. The Brazilian economy is recovering faster from the impact of the financial crisis and some analysts have revised their estimate that the economy will actually grow by one percent this year.

Trade:

Post forecasts beef exports to increase by 10 percent in 2010 as Brazilian beef exporters are optimistic about the economic recovery in their major markets, and new exports to markets recently opened such as Indonesia and Chile. They also expect a continued recovery of the European beef market as more Brazilian cattle farms are enrolled in its traceability program.

Post revised beef exports downward by nearly 15 percent in 2009 due to the impact of the current world credit crunch affecting the most traditional importers of Brazilian beef, such as Russia, Saudi Arabia, the United States and Venezuela. Beef exports to the European Union declined by 25 percent reflecting the difficulties of Brazilian packers in purchasing animals from eligible cattle farms. In addition, beef exporters complain that the valuation of the Brazilian currency affected their export profitability.

Policy:

The controversial report (because of the concept of the legal Amazon) released by Greenpeace regarding deforestation of the Amazon linked to the cattle industry had the benefit of increasing environmental awareness of the beef industry and speeding traceability of cattle from the area. Brazilian beef packers started to request assurances from livestock producers in the area that animals do not come from farms that illegally deforest the rainforest. An agreement between Brazilian beef packers and the Brazilian Supermarket Association will suspend contracts with beef suppliers found to be involved in deforestation.

The National Bank for Economic and Social Development (BNDES), the largest subsidized financing source of credit to Brazilian meat packers (beef, pork and poultry) also released new rules to provide loans to these companies. Packers that borrow funds from BNDES will be required to present an environment sustainable project for their operations in the area.

Production, Supply and Demand Data Statistics:

	2008	2009	2010
Meat, Beef and Veal	2008	2009	2010
Brazil	Market Year Begin: Jan 2008	Market Year Begin: Jan 2009	Market Year Begin: Jan 2010
	USDA Official	Old Post USDA Official	Old Post USDA Official
			Jan

	Data	Data	Data	Data	Data	
Slaughter (Reference)	40,600	40,448	39,900	39,466	40,570	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	(1000 MT CWE)
Production	9,024	9,024	8,935	8,935	9,290	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	(1000 MT CWE)
Other Imports	29	26	30	30	25	(1000 MT CWE)
Total Imports	29	26	30	30	25	(1000 MT CWE)
Total Supply	9,053	9,050	8,965	8,965	9,315	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	(1000 MT CWE)
Other Exports	1,801	1,822	1,675	1,555	1,710	(1000 MT CWE)
Total Exports	1,801	1,822	1,675	1,555	1,710	(1000 MT CWE)
Human Dom. Consumption	7,252	7,228	7,290	7,410	7,605	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	7,252	7,228	7,290	7,410	7,605	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	(1000 MT CWE)
Total Distribution	9,053	9,050	8,965	8,965	9,315	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	0	0	(1000 MT CWE)
CY. Exp. to U.S.	120	94	132	85	105	(1000 MT CWE)
Balance	0	0	0	0	0	(1000 MT CWE)
Inventory Balance	0	0	0	0	0	(1000 MT CWE)
Weights	222	223	224	226	229	(1000 MT CWE)
Production Change	-3	-3	-1	-1	4	(PERCENT)
Import Change	-3	-3	3	15	-17	(PERCENT)
Export Change	-18	-18	-7	-15	10	(PERCENT)
Trade Balance	1,772	1,796	1,645	1,525	1,685	(1000 MT CWE)
Consumption Change	2	2	1	3	3	(PERCENT)
Population	0		0		0	(HEAD)
Per Capita Consumption	0	0	0	0	0	(KG)
TS=TD		0		0	0	
Comments						
AGR Number						
Comments To Post						

Commodities:

Animal Numbers, Swine

Production: Post revised sow beginning stocks to reflect new data obtained from trade sources

Production, Supply and Demand Data Statistics:

Animal Numbers, Swine	2008		2009		2010	
	2008		2009		2010	
	Market Year Begin: Jan 2008	Market Year Begin: Jan 2009	Market Year Begin: Jan 2009	Market Year Begin: Jan 2009	Market Year Begin: Jan 2010	
Brazil	USDA Official Data	Old Post Data	USDA Official Data	Old Post Data	USDA Official Data	Jan Data
Total Beginning Stocks	32,947	32,947	33,277	33,892		35,122(1000 HEAD)
Sow Beginning Stocks	3,030	2,970	3,040	2,960		2,890(1000 HEAD)
Production (Pig Crop)	34,845	34,845	35,600	35,890		37,265(1000 HEAD)
Intra-EU Imports	0	0	0	0		0(1000 HEAD)
Other Imports	1	0	0	0		0(1000 HEAD)
Total Imports	1	0	0	0		0(1000 HEAD)
Total Supply	67,793	67,792	68,877	69,782		72,387(1000 HEAD)
Intra EU Exports	0	0	0	0		0(1000 HEAD)
Other Exports	1	0	0	0		0(1000 HEAD)
Total Exports	1	0	0	0		0(1000 HEAD)
Sow Slaughter	150	60	150	80		90(1000 HEAD)
Other Slaughter	33,165	32,640	33,110	33,430		34,610(1000 HEAD)
Total Slaughter	33,315	32,700	33,260	33,510		34,700(1000 HEAD)
Loss	1,200	1,200	1,250	1,150		1,150(1000 HEAD)
Ending Inventories	33,277	33,892	34,367	35,122		36,537(1000 HEAD)
Total Distribution	67,793	67,792	68,877	69,782		72,387(1000 HEAD)
CY Imp. from U.S.	0	0	0	0		0(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0		0(1000 HEAD)
Balance	0	0	0	0		0(1000 HEAD)
Inventory Balance	330	945	1,090	1,230		1,415(1000 HEAD)
Inventory Change	-1	-1	1	3		4(PERCENT)
Sow Change	0	0	0	0		-2(PERCENT)
Production Change	1	1	2	3		4(PERCENT)
Production to Sows	12.	11.7	12.	12.1		12.9(PERCENT)
Trade Balance	0	0	0	0		0(1000 HEAD)
Slaughter to Inventory	101	99	100	99		99(PERCENT)
TS=TD		0		0		0
Comments						
AGR Number						
Comments To Post						

Commodities:

Meat, Swine

Production:

Post forecasts pork production to continue to increase in 2010 at an average rate of 4 percent, slightly above the 2009 level. Our projections reflect current optimism of pork exporters for increasing exports during next year and assume that the worst of the global financial turmoil is over. However, traders remain cautious about the impact of the valuation of the Brazilian currency and access to credit for main importers, such as Russia.

On the other hand, hog producers currently enjoy stability in feed prices, mostly corn. Post also forecasts an increase in domestic pork demand because pork prices are currently competitive with beef prices.

Trade:

Post forecasts pork exports to increase by 8 percent in 2010 as demand from major Brazilian clients remain firm. Brazilian pork exporters are also focusing their strategies in new markets in Asia, such as China, and have begun to advocate for access to the US and Mexican markets.

Brazilian pork exports in 2009 are expected to increase by 5 percent reflecting higher shipments to Russia, Singapore, Angola and other Eastern European countries.

Production, Supply and Demand Data Statistics:

Meat, Swine Brazil	2008		2009		2010	
	2008		2009		2010	
	Market Year Begin: Jan 2008		Market Year Begin: Jan 2009		Market Year Begin: Jan 2010	
	USDA Official Data	Old Post Data	USDA Official Data	Old Post Data	USDA Official Data	Jan Data
Slaughter (Reference)	33,315	32,700	33,260	33,510	34,700	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	(1000 MT CWE)
Production	3,015	3,015	3,010	3,123	3,249	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	(1000 MT CWE)
Other Imports	0	0	0	0	0	(1000 MT CWE)
Total Imports	0	0	0	0	0	(1000 MT CWE)
Total Supply	3,015	3,015	3,010	3,123	3,249	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	(1000 MT CWE)
Other Exports	625	625	610	658	710	(1000 MT CWE)
Total Exports	625	625	610	658	710	(1000 MT CWE)
Human Dom. Consumption	2,390	2,390	2,400	2,465	2,539	(1000 MT CWE)

Other Use, Losses	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	2,390	2,390	2,400	2,465	2,539	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	(1000 MT CWE)
Total Distribution	3,015	3,015	3,010	3,123	3,249	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	0	0	(1000 MT CWE)
CY. Exp. to U.S.	0	0	0	0	0	(1000 MT CWE)
Balance	0	0	0	0	0	(1000 MT CWE)
Inventory Balance	0	0	0	0	0	(1000 MT CWE)
Weights	90	92	90	93	94	(1000 MT CWE)
Production Change	1	1	0	4	4	(PERCENT)
Import Change	0	0	0	0	0	(PERCENT)
Export Change	-14	-14	-2	5	8	(PERCENT)
Trade Balance	625	625	610	658	710	(1000 MT CWE)
Consumption Change	6	6	0	3	3	(PERCENT)
TS=TD		0		0	0	
Comments						
AGR Number						
Comments To Post						